

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re: CORE SCIENTIFIC, INC., <i>et al.</i>, Debtors.¹	§ § § § § § §	Chapter 11 Case No. 22-90341 (CML) (Jointly Administered) (Emergency Hearing Requested)
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SUPPLEMENT TO BACKSTOP MOTION

EMERGENCY RELIEF HAS BEEN REQUESTED. RELIEF IS REQUESTED NOT LATER THAN 5:00 P.M. (CENTRAL PREVAILING TIME) ON TUESDAY, NOVEMBER 14, 2023.

IF YOU OBJECT TO THE RELIEF REQUESTED OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST APPEAR AT THE HEARING IF ONE IS SET, OR FILE A WRITTEN RESPONSE PRIOR TO THE DATE THAT RELIEF IS REQUESTED IN THE PRECEDING PARAGRAPH. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

A HEARING WILL BE CONDUCTED ON THESE MATTERS ON TUESDAY, NOVEMBER 14, 2023 AT 2:00 P.M. (CENTRAL PREVAILING TIME) IN COURTROOM 401, 4TH FLOOR, 515 RUSK AVENUE, HOUSTON, TX 77002.

YOU MAY PARTICIPATE IN THE HEARING EITHER IN PERSON OR BY AN AUDIO AND VIDEO CONNECTION.

Core Scientific, Inc. and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”), respectfully represent as follows in support of this supplement (the “**Supplement**”) to the *Emergency Motion of Debtors for Order (I) Authorizing Entry into Backstop Commitment Letter, (II) Approving Performance of*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (6074); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions VII LLC (3198). The Debtors’ corporate headquarters is 210 Barton Springs Road, Suite 300, Austin, Texas 78704. The Debtors’ service address is 2407 S. Congress Ave, Suite E-101, Austin, Texas 78704.

Obligations Thereunder, and (III) Granting Related Relief [Docket No. 1383] (the “**Backstop Motion**”) filed on November 3, 2023.²

Supplements to the Backstop Motion

1. As discussed in the Backstop Motion, the Mediated Settlement and Restructuring Term Sheet required the Debtors to obtain backstop commitments of at least \$30 million. The Debtors are pleased to report that the Debtors have met and surpassed such requirement and have obtained commitments from 31 parties comprised of certain members of the Equity Committee and other existing equity holders (the “**Commitment Parties**”)³ to backstop \$37.1 million (collectively, the “**Backstop Commitment Amount**”) of the Rights Offering up to the Backstop Commitment Amount, subject to finalizing the RSA and approval by the Court. In connection therewith, the Debtors, the Equity Committee, the Ad Hoc Noteholder Group, and the Commitment Parties have negotiated certain modifications to the Backstop Commitment Letter and Backstop Commitment Term Sheet. While these documents are being finalized and await sign-off from the applicable parties, the Debtors are including the current draft versions of the following revised documents to provide as much notice as possible:⁴

- The revised Backstop Commitment Letter is attached hereto as **Exhibit A** (the “**Revised Backstop Commitment Letter**”), including the revised Backstop Commitment Term Sheet attached as **Exhibit A** thereto (the “**Revised Backstop Commitment Term Sheet**”). A redline against the version attached to the Backstop Motion is attached hereto as **Exhibit B**.

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Backstop Motion.

³ Certain members of the Debtors’ management team and Board of Directors have agreed to backstop a portion of the Backstop Commitment.

⁴ To the extent these documents subsequently change, the Debtors will file revised versions, along with redlines of any subsequent changes.

- The revised Proposed Order approving the Backstop Motion is attached hereto as **Exhibit C** (the “**Revised Proposed Backstop Order**”). A redline against the version attached to the Backstop Motion is attached hereto as **Exhibit D**.

2. In connection with finalizing the Backstop Commitments from the Commitment Parties, the parties agreed to the following changes summarized below.

- ***Backstop Commitment.*** The parties made changes to clarify that the Backstop Commitments backstop the first \$37.1 million of the total \$55 million Rights Offering. Therefore, each of the Commitment Parties will be required to purchase its Backstop Commitment Percentage (as defined in the Backstop Term Sheet) of any unsubscribed ERO shares in an aggregate amount equal to the difference between the Backstop Commitment and the total ERO proceeds.
- ***Proceeds from Oversubscription Rights Reduce Backstop Commitment.*** The Backstop Term Sheet initially provided that proceeds raised in the ERO through the exercise of Oversubscription Rights would first be applied to the portion of the ERO that was not backstopped by the Backstop Commitment. This provision was removed from the Backstop Term Sheet. As modified, proceeds generated from the exercise of Oversubscription Rights will be applied to reduce the Backstop Commitments.
- ***Removal of Additional Backstop Parties.*** The Backstop Term Sheet initially contemplated procedures that would allow “Eligible Accredited Equityholders” (as defined in the previously filed Backstop Term Sheet) to join the Backstop Commitment Letter as “Additional Backstop Parties” (as defined in the previously filed Backstop Term Sheet) on a first-come basis during the first 10 days of the subscription period. The Commitment Parties demanded that this provision be removed in an effort to, among other things, maximize the Commitment Parties’ participation in the Rights Offering and limit the amount of the Commitment Premium.
- ***Revisions to the Rights Offering Procedures.*** The Rights Offering Procedures have been modified to reflect the aforementioned changes to the Backstop Commitment Letter and Backstop Commitment Term Sheet, along with other technical modifications to reflect changes to the Plan.⁵

⁵ The revised Rights Offering Procedures, along with a redline against the version filed in connection with the *Emergency Motion of Debtors for Entry of Order (I) Scheduling Combined Hearing on (A) Adequacy of Disclosure Statement and (B) Confirmation of Plan; (II) Conditionally Approving Disclosure Statement and Form and Manner of Notice of Conditional Disclosure Statement Hearing; (III) Establishing Solicitation and Voting Procedures; (IV) Establishing Notice and Objection Procedures for Confirmation of Proposed Plan; (V) Approving Notice Procedures for Assumption or Rejection of Executory Contracts and Unexpired Leases; (VI) Approving Notice Procedures for Reinstatement of Claims; (VII) Establishing Rights Offering Procedures; and (VIII) Granting Related Relief* [Docket No. 1384] (the “**Disclosure Statement Motion**”) will be filed separately.

- ***Engagement of Information Agent.*** The Backstop Term Sheet provides that “[t]he Equity Committee and the Debtors shall work together in good faith and use commercially reasonable efforts to facilitate and maximize participation of Eligible Equity Holders in the ERO, including, without limitation, the Debtors’ retention of a solicitation agent or other similar professional reasonably acceptable to the Requisite Commitment Parties.” Pursuant to that provision, the Debtors have determined that it is in the best interests of the Debtors and their estates to engage Morrow Sodali LLC (“**Morrow**”) to serve as Information Agent for Eligible Equity Holders in connection with the Rights Offering. Pursuant to the Morrow engagement letter, Morrow will identify and contact Eligible Equity Holders or their brokers to enhance awareness of the Rights Offering and provide additional information that may be requested by such Eligible Equity Holders to facilitate participation in the Rights Offering. The Morrow engagement letter provides for fees consisting of (a) a fixed fee of \$20,000, (b) an expense advance of \$5,500, and (c) \$5.00 per phone call with Eligible Equity Holders. The Revised Proposed Backstop Order seeks authority for the Debtors to enter into the Morrow engagement letter and pay the fees required thereunder.

3. Accordingly, the Debtors request that this Court enter the Revised Proposed Backstop Order authorizing (i) the Debtors’ entry into the Revised Backstop Commitment Letter, (ii) the Debtors’ entry into the Morrow engagement letter, and (iii) related relief.

Notice

4. Notice of this Motion will be served on any party entitled to notice pursuant to Bankruptcy Rule 2002 and any other party entitled to notice pursuant to Local Rule 9013-1(d).

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5. WHEREFORE the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as is just.

Dated: November 14, 2023
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

WEIL, GOTSHAL & MANGES LLP

Alfredo R. Pérez (15776275)

Clifford W. Carlson (24090024)

700 Louisiana Street, Suite 1700

Houston, Texas 77002

Telephone: (713) 546-5000

Facsimile: (713) 224-9511

Email: Alfredo.Perez@weil.com

Clifford.Carlson@weil.com

-and-

WEIL, GOTSHAL & MANGES LLP

Ray C. Schrock (admitted *pro hac vice*)

Ronit J. Berkovich (admitted *pro hac vice*)

767 Fifth Avenue

New York, New York 10153

Telephone: (212) 310-8000

Facsimile: (212) 310-8007

Email: Ray.Schrock@weil.com

Ronit.Berkovich@weil.com

*Attorneys for Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on November 14, 2023 a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez
Alfredo R. Perez